

SYSTEMS

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IBM withholds healthcare subsidies from some retirees

Former staff describe threat as a 'heist' and 'outright attack' on pension scheme

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IBM intends to withhold tens of thousands of dollars each from certain retired staff unless they agree to the IT giant's demands.

This has been described as an "outright attack" on the ex-IBMers' pension schemes and the freedom to choose their healthcare.

Last month, Big Blue shook up the health insurance coverage it subsidizes for retirees in the US. As a result, the corporation will freeze healthcare funds it set aside as a retirement benefit for certain Medicare-eligible former staff who fail to sign up for one of two new plans. If the retirees don't accept one of the newly offered plans – the details of which haven't even been shared yet – IBM will withhold the insurance coverage subsidies it had promised to pay out.

Medicare is a US government-run health insurance provider. Medicare-eligible thus means someone who qualifies for Medicare, such as someone who is over 65 and has paid in a decade of Medicare taxes.

Specifically, that insurance shakeup – described by IBM as "reinforcing IBM's commitment to retiree healthcare and wellbeing" – moved Medicare-eligible former employees to a new IBM-sponsored Group Medicare Advantage program as of January 1, 2023. The program is operated by UnitedHealthcare, a privatized version of Medicare.

Former IBMers with Health Reimbursement Arrangement/Account (HRA) subsidies who decline to sign up for one of the IBM-sponsored Advantage healthcare plans before the December 16, 2022 deadline stand to lose significant amounts of money – tens of thousands of dollars in some cases.

"Please be aware that, if you choose to remain in your current plans, you will no longer be eligible for IBM's subsidy while enrolled there," the mainframe giant explains on its [retiree benefits website](#).

The healthcare shift – which coincided with IBM's [\\$16 billion pension buyout](#) – is described on a [Change.org petition](#) as an "outright attack on our defined benefit pension programs," by former IBM employee Steve Bergeron.

**We are losing our
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Retired workers who received benefits through a [Future Health Account](#) – introduced during a benefits transition two decades ago – and saw those funds transferred to an HRA now have to enroll in one of IBM's new Advantage plans in order to continue to receive [the HRA subsidy](#) [PDF].

IBM is not seizing the funds – it's simply refusing to pay them. And it will resume payments if the retiree opts for one of the new plans during a subsequent enrolment period.

For Bergeron, that means more than \$39,000 that IBM set aside for him during his 29 years at the company.

"Essentially, we are losing our freedom to select our benefits for our families," he said in his petition. "And if we don't change our medical benefit plans by [December 16], IBM will take away the monies in my FHA/HRA savings accounts."


Heist

Another former IBM employee who spoke to *The Register* about the IBM healthcare transition and asked not to be identified likened the situation to "a heist." He says he stands to lose his \$46,000 HRA balance if he fails to sign on to one of the new plans.

The problem with doing so, he said, is he would have to give up his [Medicare Supplement Plan G](#), which covers costs not covered by standard Medicare coverage. And as a cancer survivor, he's been advised to keep his Plan G insurance by Medicare advisors and doctors. The concern is that IBM's new health plans may not adequately cover costs or may change in the future. He claims that The Mayo Clinic won't even schedule an appointment with Advantage enrollees, while the Moffitt Cancer Center is out of network for the Advantage plans.

"The principle of all this is really about people having their own choices and their own ability to pick the companies that they have probably been using for years in many cases," said Bergeron in a phone interview with *The Register*. "And now IBM comes along and says, 'OK, here's just those two plans and these are the only two that you can pick.' It does have some impact on current employees, but it has a devastating impact on retirees over the age of 60."

At the time this article was written, Bergeron's petition had more than 600 signatories. Based on participation in a private Facebook group formed to discuss the issue, Bergeron estimates that about 50–80 percent of some 750 IBMers in the group are affected by this issue.

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Our other source estimated the overall number of affected retirees is much higher – potentially tens of thousands.

One potential benefit to IBM for the healthcare benefit transition, he speculated, may be to increase operating cash flow. Not having to pay several thousand dollars in health subsidies annually (for those employees who don't want to give up the security of government-run Medicare and forgo HRA payments) from company coffers could help the balance sheet.

The situation might be less fraught if IBM clarified the exact scope of coverage and cost of the new plans. But IBM has not done so. The legal documents defining IBM's obligations

have not been made available, and our retired IBM source said – based on interactions with IBM benefits personnel – that at least one person indicated those documents would not be ready until after the enrolment deadline had passed.

If retirees right now ask Big Blue for more details, they'll be given January 1, 2021 plan documentation – which does not include the changes planned for 2023 – and be told the paperwork is still in the process of being updated.

"The plan documents for 2023 have not been released," a source said. "Anyone enrolling is doing so as if signing a contract without reading the terms."

As things stand, IBM's former employees don't trust the company's Advantage plans or the company itself.

"They want nothing to do with these plans," said Bergeron. "There's too much negative press on Medicare Advantage plans. They don't trust IBM either."

An April 2022 report [PDF] from the Inspector General of the US Department of Health and Human Services found that private Medicare Advantage programs deny 13 percent of service authorization requests that would have been granted under traditional government-run Medicare.

"I was talking to [a retiree] the other night who has a very serious lymphatic vein disease," Bergeron added. "And he's dreadfully worried that a Medicare Advantage plan is going to give him a lot of grief and it's going to be a difficult thing."

When New York City tried to change retired municipal workers' traditional Medicare to a privatized Medicare Advantage program, the situation ended in court and the workers prevailed. The IBM retirees organizing against the transition are currently exploring their legal options.

IBM did not respond to a request for comment. ®

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